A Study on Customer Relationship Management Process Outcomes Measurements in Public and Private Sector Banks in Trichy City

*Mr. S. Suresh
**Dr David Jawahar. P

*Research Scholar, BIM, Trichy.
**Professor, BIM, Trichy.

Abstract

Customer Relationship Management process have very low success rate in banks which can be solved by better understanding and measurement of CRM process .The purpose of this paper is to define the CRM process within banks of private and public sector in Tamilnadu and propose a tool for CRM measurement**.**

Design /Methodology/Approach: An empirical study is conducted in banks in Trichy. The research is designed according to scale development literature. The responses from various private and public sector banks and with customers were collected. Using exploratory factor analysis 200 valid responses are analyzed .A structural Equation model was proposed using the various factors of the process.

Findings: The paper provides a general understanding of CRM process in banks. it is customer oriented perspective and proposes a measurement tool that address seven process which are customer information management, product / service customization, referrals index, expansion management, termination management, customer retention management and customer win back management .The results of the analysis provides useful information for bank managers, relationship managers and customer executive in banks to define, measure and improve the CRM process.

Originality/Value: The paper provides an enhanced review about the CRM Evaluation literature. Based on this review the paper defines seven CRM process and maintains a tool for evaluation of these process within the various private and public sector banks.

Keywords: Customer relationship management, evaluation, private, public.

Introduction

During the mass customization age, the competition in the service industries globally was about capturing new customers in the market. The 5P's (product, price, place, promotion and people) was developed as a tool for marketing success and has been unchallenged paradigm for marketing management but in the service industry era the focus on quality customer forced the companies to change their focus from customer acquisition to customer retention. By building relationship with customer and adding more values to product and services.

In the late 2000's CRM is a key word in business world which forms a part of integral relationship in marketing and technology innovation. Today organizations were confused with definition of the term CRM and get enhanced with customer satisfaction level. Adhering to the complex organization structure the return on investment (ROI) on CRM is merely varied from 10 to 25% percent every year. Organizations which have low success rate on CRM implementation have found them on a down trend analysis on Customer Satisfaction (CS), Customer Loyalty (CL) and Customer Outcomes (CO).

Due to low success rate of CRM , many measurement models have been proposed by management pundits and academicians .It is evident from the study that process of a organization are defined in as one of the components in the models of CRM (Chen and Poprich 2003).but the process level measurements is not covered under the various models prescribed by these pundits .Thus the aim of this research paper is to define the CRM process and provide a tool that measures these process within a banking sectors.

The Research is designed in accordance to Scale measurement Literature of CRM Process. This paper is comprised of 4 sections in the following section CRM evolutions, importance of Relationship marketing, its implementation and success rates are studied.

1

The second section focus on history of CRM measurements studies, the third section is composed of the Research content, methods and process level measurements used in banks and finally its managerial implications and further research.

Literature Review

While Banks prone to make investment on CRM projects the success rates of the current banks implementing it have been disappointing. The success rate cited in the literature is very low. The highest success rates (65 percent is observed in a research by CRMGuru.com that is accomplished in the year 2001.Bain and Company shows lower rate of CRM success has lead to damaged long standing Customer satisfaction and loyalty (Rigby et al 2002).According to CRM success rates and references it is found that Merrill Lynch group has 55 percent of satisfaction from CRM implementation (Dighan 2002). and CRMGuru.com has 65 percent of success rate on both Implementation and satisfaction on CRM (Krol 2002,Lee (2003).

Various CRM Measurements tools used in banks: Academicians and professionals have proposed many measurement tools for banks.

a**) CRM Scale**: This Scale proposed by Sin et al (2005) has four dimensions which are Customer Focus, CRM firms, Knowledge management and Technology Innovation.

b) **Relationship Standards and Quality**: This scale is proposed by(Dwyer and Oh.1987,Croshy et al 1990).This Scale measures about Customer service as Trust, partner's honesty ,affective commitment and customer satisfaction .

C) **Consumer Assessment Measurement Tool (CAMT**): This is proposed by a consultancy as tool which is based on the best practices adopted by banking industry .The tool defines some key areas such as technology, people, process, organization ,operations of banks ,CRM activities in the banks, customer experience and its effects on banks.

d) **Customer Management process** (CMP): It is designed by (Kaplan and Norton 1992) which focus on customer selection, customer acquisition, customer retention and growth .For each dimensions there are objectives and metrics that are used for measurement. Many private banks in Europe follow this tool which differs from banks to banks depending on individual banking strategies and goals.

e**) Relationship Management Assessment tool (RMAT**): It is generated by Lindgreen et al (2006). Aims to help bank managers to make self assessment about different stages of banking relationship with the customer's .They include Branding, organization culture and people involved in the process.

The CRM literature does not provide a single process model for banks and the proposed model tools are not suitable for all types of banks. The aim of this study is to generate a generalized tools for the private and public sector banks.

Methodology

In depth interview were conducted with bank mangers, relationship executives and help desk executive of top five private and public sector banks in TRICHY. The banking industry was chosen because it was among the first group of organization to implement Enterprise wide systems (Broadbent and Weill 1993) to build strong CRM and rely heavy on technology. This provides an ideal environment for implementing CRM initiated change (La Croix et al 2002). The top five banks dominate the retail banking sector in private and public sector have been chosen in this research because of the combined market share of 58% in terms of account asset value and no. of branches and customer base .In the first two steps are the preparation process which leads to better definition of the measure and items used in the scale .The data are collected through semi structured field interviews with banks which lasted for 20 to 30 minutes .They were conducted at the respondent office or in manger's cabin. To reduce bias the interview were conducted by the researcher himself (Strauss and corbin 1988).All interview were recorded and transcribed and respondents were given a copy of questioner of their own transcript and invited to comment on any part of material to reinforce reliability.

Explanatory factor analysis is used in order to evaluate the items and optimization of the scale. The aim of this step is to define the factors of the CRM measure and purify the items according to the rules defined by Worthington and Whittaker (2006).The CRM process and statements used to measure them are selected and useless items are deleted. The factors are defined and they are validated by reliability homological validity and convergence validity tests.

As defined in the literature one of the goals of CRM is to maintain CS, CL, CO (winer2001; verhoef 2003; zikmund et al 2003 mithas et al 2005). If the CRM process show high performance it is expected increase the CS index .As a result hypothesis one emphasizes the positive relationship between the process and customer satisfaction (CS).

Hypothesis 1: **There is a positive relationship between the factors and the perceived CS**

CL is the customer loyalty to the company. As the customer do not change the bank so they become loyal to the bank and because of this there are more transactions to the bank. CRM literature provides researches about the relationship between CRM and CL (Winer 2001; Verhoef, 2003; Buttle, 2004 Yim et al 2004.) so there is a positive relationship between the factors and perceived CL which forms the H2.

Besides, these 2 other benefits CRM promises other outputs like customer retention, Improvements in cross sell, gain profitable customer, and more acquisitions of the customer which is the main aim of the study (Gronoos 2000, Jarrar and Neely. 2002, Ket al 2009, Butte, 2004). Reinartz et al (2004) defines cross selling as one of the process in banks that helped banks to extend to other vertials like insurance and stock broking. In this study it is named as COs. As the CRM processes are performed successfully it is expected to observe increase in output. And this forms the Hypothesis h3.

After this hypothesis all the items are pooled and it is validated through experts (devellis, 2003 Grant and Davis (1997) proposed a survey for content validation the items are divided into groups and unwanted items are deleted the content validity stage ended with 40 items. In order to verify the written statements are perceived as intended and pilot tests were conducted .Before going to the analysis sample size and factorability tests were accomplished. The result of KMO Kaiser – Meyer Olkim measure was conducted and it is determined as 0.76while result of 0.50 and above us defined as adequate (tAB

Aachnick and fidell, 2011).Internal consisitency is conducted by Cronbach alpha values of each factor (Cronbach, 1951) The Cronbach alpha values of each factor between 0.643 and 0831.which were acceptable normally.

Findings: In accordance to its aim, the study provides a measurement tool with seven factors and 32 items. The resulting factors define the process which forms the process CRM level. So all the seven factors are defined as the process in the banks.

Table 1: Eigen values of all the seven factors

Factors	Descriptive name	Eigen Value
P1	WBM	5.90
P2	PSC	4.12
P3	CIM	3.62
P4	RM	1.92
P5	EM	3.13
P6	TM	3.08
P7	Terminating Management	2.132

Table 2: Cronbach Alpha values for all the factors

Factors	Descriptive name	Cronbach Alpha Value
P1	WBM	0.887
P2	PSC	0.984
P3	CIM	0.745
P4	RM	0.521
P5	EM	0.563
P6	TM	0.645
P7	Terminating Management	0.657

Targeting management (TM) TM focuses on acquiring information and evaluation of the potential banking customers. As the banks are targeting and acquire the right customers; CS and CL can be easily maintained by the private banks and not my public sector banks.

Customer information management (CIM) Banks should maintain the records and capture new records used for segmentation of customers according to the type of accounts and also it determines the customer life time value of customers.

Product and service customization (PSC) Customization refers to the products and service provided by banks based on segmentation of customer's needs and base. It is a tool for maintaining CS and CL Generally CIM is related as high volume and low value customers so that bank can depend on their future growth.

Expansion management: (EM) By expansion banks mean cross selling and up selling and it has made them to start a separate organization and make it more profitable and expand the business to increase the income and customer base and also many more branches .

Relationship management (RM) : it is a word of mouth factor for acquiring new customers for banks.RM refers to the process that aim to enhance the relationship with customer to make good referrals.

Termination Management (TEM) The aim of the CRM is to provide a prospective customers and not making unprofitable customers. It refers to the direct and indirect activities that try to banish the unprofitable customers.

Win back management (WBM): it is refers to get the interaction with lost customers or inactive ones. Since the profitable customers are subject to WBM in banks proper CIM is needed for analysis and targeting the lost customers in the banks by better servicing.

The second aim of the study is to provide a tool for measurement of CRM processes. As a result of the steps followed a measure questionnaire is included in the questionnaire .It is passed through a reliability and validity test which proves the tool valid and good and reliable

Table 3: Correlation Coefficients of the CRM process outcomes

Factors	CS	CL	Cos
WBM	0.172	0.23	0.33
PSC	0.321	0.31	0.31
CIM	0.257	0.34	0.31
RM	-0.222	0.12	0.13
TARGETING	0.287	0.28	0.29
TERMINATING MANAGEMENT	0.112	-0.96	0.053

Analyzing the absolute value of correlation coefficients Cohen 1988 defines 0.10-0.25 is as low and 0.26 -0.30 as medium and above 0, 30 as high relation. Using these definitions we can list the CRM process as follows.

1. None of the process show high except PSC which shows that good products and service customization help the banks make more branches and many up sell and cross sell happens and hence good customer satisfaction and loyalty with the values of CS,CL and Cos.

2. While CIM and Targeting management provides medium level of correlation with CS and high level of customer loyalty because of core banking and customer data bases is intact in banks.

3. RM has the lowest correlation between CS and CL because of no relationship managers or RM executive in banks and there is no response on this on public sector banks. Because of word of mouth these is less in TRICHY city.

4. WBM has the high correlation in cOs because it increases the up sell and cross sell of products and good CIM of the bank.

5. All the hypothesis which was formulated was accepted.

Conclusion & Limitations

Some of these instruments aim to maintain a tool for process level CRM in banks in trichy city has some fall backs and conclusions are derived;

1. Measurements of customer facing operations in banks focus only on the process of the banks which uses the CRM software and its interaction with customers.

2. CMAT is a tool which aims to measure the process based on the practices made by the banks thus it is not the same in private and public sector banks as they differ in their ideologies and investments and strategies adopted by banks.

3. It is a self evaluation tool for managers to know the how good is their CRM specifically.

4. Banks whether they are private or public banks they have a specific structure and business process and the mentioned CRM process can be redesign or refine their existing process.

5. The study provides limited information about the relationship between the process and outcomes of CRM such as CL and CS.A comprehensive model can be constructed and the relationship between CRM results and process and other organizational factors of the banks can be investigated.

6. The research can be extended to tier II cities like Madurai, Salem and Coimbatore

7. We can construct a separate CRM Models for private and public sector banks.

8. We can Compare these two sector banks process of CRM and measures their outcomes and compare with metro cities like Chennai, Bangalore etc.

9. The effect of banks Culture and other banking characteristics on CRM and results can be analyzed.

Reference

1. Aaker, D.A. (1991), Managing Brand Equity, the Free Press, New York, NY.

2. Bagozzi, R.P. (1979), "The role of measurement in theory construction and hypothesis testing: toward a holistic model", in Lamb, C.W. and Dunne, P. (Eds), Conceptual and Theoretical Developments in Marketing, American Marketing Association, Chicago IL**,** pp. 15-33.

3. Becker, J.U., Greve, G. and Albers, S. (2009), "The impact of technological and organizational implementation of CRM on customer acquisition, maintenance, and retention", International Journal of Research in Marketing, Vol. 26, pp. 207-15.

4. Bose, R. (2002), "Customer relationship management: key components for IT success", Industrial Management & Data Systems, Vol. 102 No. 2, pp. 89-97.

5. Caufeld,B.(2001),"Facing up to CRM", avaliable at: www.business2.com/articles/mag/print/ 0,1643,16663,00. html (accessed 3 January 2002).

6. Chen, I.J. and Popovich, K. (2003), "Understanding customer relationship management (CRM)", Business Process Management Journal, Vol. 9 No. 5, pp. 672-88.

7. Churchill, G.A. (1979), "A paradigm of developing better measures of marketing constructs",   Journal of Marketing Research, Vol. 16, pp. 64-73.

8. Cohen, J. (1988), Statistical Power Analysis for the Behavioral Sciences, Lawrence Erlbaum Associates, Hillsdale, NJ.

9. Cronbach, L.J. (1951), "Coefficient alpha and the internal structure of tests", Psychometrika, Vol. 16, pp. 297-333.

10. .Day, G.S. and van den Bulte, C. (2002), "Superiority in customer relationship management: consequences for competitive advantage and performance", working paper, Wharton School of Economics, University of Pennsylvania, Pennsylvania, PA.

11. Devellis, R.F. (2003) Scale Development: Theory and Applications, Sage, Thousand Oaks, CA.

12. Dignan, L. (2002), "Is CRM all it's cracked up to be?" avaliable at: http://news.cnet.com/2102-1017-874356.html (accessed 12 June 2008).

13. Dorsch, M.J., Swanson, S.R. and Kelley, S.W. (1998), "The role of relationship quality in the satisfaction of vendors as perceived by customers", Journal of the Academy of Marketing Science, Vol. 26 No. 2, pp. 128-42.

14. Dwyer, F.R. and Oh, S. (1987), "Output sector munificence effects on the internal political economy of marketing channels", Journal of Marketing Research, Vol. 24, pp. 347-58.

15. Eid, R. (2007), "Towards a successful CRM implementation in banks: an integrated model", The Service Industries Journal, Vol. 27, pp. 51-90 .Ghahfarokhi, A.D. and Zakaria, M.S. (2009), "The impact of CRM on customer retention in

6

Malaysia", Proceedings of the International Conference on Electrical Engineering and Informatics, Selangor, Malaysia, 5-7 August, Vol. 1/2, pp. 298-302.

16. Grant, J.S. and Davis, L.L. (1997), "Selection and use of content experts for instrument development", Research in Nursing and Healt, Vol. 20, pp. 269-74.

17. Gronroos, C. (1989), "Defining marketing: a market-oriented approach", European Journal of Marketing, Vol. 23 No. 1, pp. 52-60.

18. Gronroos, C. (2000), Service Management and Marketing: A Customer Relationship Management Approach, Wiley,

19. Chichester.Hellweg, E. (2002), "CRM success: still the exception, not the rule", avaliable at: www.business2.com/articles/web/print/0,1650,42051,00.html (accessed 24 November 2002).

20. Hinkin, T.R. (1998), "A brief tutorial on the development of measures for use in questionnaires", Organizational Research Methods, Vol. 1 No. 1, pp. 104-21.

21. Jain, R., Jain, S. and Dhar, U. (2003), "Measuring customer relationship management", Journal of

22. Service Research, Vol. 2 No. 2, pp. 97-109.

23. Kaplan, R.S. and Norton, D.P. (1992), "The balanced scorecard – measures that drive performance", Harvard Business Review, Vol. 70 No. 1, pp. 71-9.

24. Kellen, V. (2002), "CRM measurement frameworks", working paper, Depaol University, Chicago, IL.

25. Kim, J., Suh, E. and Hwang, H. (2003), "A model for evaluating the effectiveness of CRM using balanced scorecard", Journal of Interactive Marketing, Vol. 17 No. 2, pp.   5-19.

26. Lagace, R.R., Dahlstrom, R. and Gassenheimer, J.B. (1991), "The relevence of ethical salesperson

27. behavior on relationship quality: the pharamaceutical industry", Journal of Personal

28. Lages, C., Lages, C.R. and Lages, L.F. (2005), "The RELQUAL scale: a measure of relationship quality in export market ventures", Journal of Business Research, Vol. 58

29. No. 8, pp. 1040-8.

30. Lee, D. (2003), "CRM: the truth, the whole truth and nothing but the truth", Technology Evaluation Center, available at: www.technologyevaluation.com   (accessed16 June 2009).

31. Leigh, T.W. and Tanner, J.F. (2004), "Introduction: JPSSM special issue on customer relationship management", Journal of Personal Selling & Sales Management, Vol.   4pp. 259-62.

32. Lin, R., Chen, R. and Chui, K.K. (2010), "Customer relationship management and innovation"

33. McDonald, R.P. (1985), Factor Analysis and Related Methods, Lawrence Erlbaum Associates, Hillsdale, NJ

34. Meagher, D. (2002), "CRM technology yet to find true use", Australian Financialreview, Vol.17, p.1.

35. Mendoza, L.E., Marius, A., Perez, M. and Griman, A.C. (2007), "Critical success factors for a

36. customer relationship management strategy", Information and Software Technology

37. Yim F.H, Anderson .R.E. and Swaminathan .S (2004) CRM in dimensions and effect on its outcomes "Journal of personal selling and sales management, vol 24 pp. 263-78.